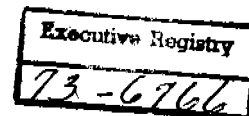


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PERS 73-4843

22 JUL 1973



MEMORANDUM FOR: Director of Central Intelligence

FROM : Acting Deputy Director for Management
and Services

SUBJECT : Amendment to the CIA Retirement Act

1. Action Requested: This memorandum recommends that the Agency immediately seek before the adjournment of this session of Congress an amendment to the CIA Retirement Act to liberalize eligibility for cost-of-living increases in a way similar to that recently approved for the Civil Service Retirement System.

2. Basic Data or Background: Recent legislation was enacted into law, PL 93-136, which liberalizes eligibility for Civil Service Retirement cost-of-living increases. Employees retiring on or after the effective date of a cost-of-living increase, or survivors of employees who die after that date, are guaranteed an annuity at least as large as that which would have been payable if the employees retired or died before the effective date of the increase. The legislation applies to annuities which begin on or after 2 July 1973 and is designed to (1) eliminate the anomaly of a difference in amount between annuities that commence on or before the effective date of a cost-of-living increase and those that commence shortly after that date, (2) moderate the peaking of retirements immediately before cost-of-living increases become effective, and (3) reduce the disruption in the work of Government agencies caused by many employees suddenly retiring at the same time.

Under the previous law, cost-of-living increases were granted only to those individuals who retired before the effective date of the increase. Thus, the 6.1% increase which was effective 1 July 1973 was granted to employees who retired by 30 June 1973. The effect was to cluster retirements immediately before cost-of-living increases creating pressing administrative problems and expense for the Civil Service Commission, adversely affecting employing agencies because of the inordinate

number of employees deciding to retire on short notice, and delaying payments of annuities because of the large number of retirements.

The new law provides that employees who retire between 1 July and 31 December 1973 can obtain, if to their advantage, the July cost-of-living increase. Based on the Consumer Price Index released in September and October, it now appears that another cost-of-living increase will be effective on 1 January 1974 for annuitants who have retired by 31 December 1973. If this occurs, employees who retire by 31 December will be eligible for the 1 July 1973 cost-of-living increase and the one on 1 January 1974. Employees who retire after 1 January are eligible only for the January cost-of-living adjustment. Since the legislation is an amendment to the Civil Service Retirement Act, it has no effect on CIARDS.

3. Staff Position: We have reviewed with representatives of the Offices of General Counsel, Legislative Counsel, Personnel, and Finance the question of whether the Agency should seek an equivalent amendment to CIARDS. For reasons set forth below, I believe the Agency should seek this legislation.

a. There would be a significant benefit both to CIARDS participants and the Agency. Employees would be given a more liberal option of deciding when to retire without forfeiting cost-of-living adjustments which have been authorized. Employees would not be forced to retire by 31 December. They could retire after 1 January and still receive the January increase. The Agency would derive benefits since currently there are CIARDS participants who are eligible for voluntary retirement. However, it is always hard to predict how many employees eligible for voluntary retirement might opt to accelerate their retirement dates for the purpose of obtaining a cost-of-living increase. Much will depend on the size of the January cost-of-living adjustment. Already at a minimum of 4.7%, it is expected to be substantially higher. If so, we might anticipate large numbers of CIARDS participants opting for retirement, thus creating the same administrative problems and expenses as well as the disruption to Agency work which the new legislation was designed to correct.

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b. For participants who have already retired or for survivors of participants who have died, the retroactive feature to 1 July 1973 could provide a significantly higher annuity or survivorship benefits than they are now receiving. Since 1 July 1973, 11 participants have retired under CIARDS and five participants have died.

c. The new legislation covers all Federal employees, including Agency employees, who are under the Civil Service Retirement Act. In view of the Government-wide coverage of the new legislation, the principle of comparability dictates that the legislation, which was aimed at correcting inequities to employees and avoiding problems of concern to management, should be extended to CIARDS. If comparability is not obtained, we anticipate some deep concern among CIARDS participants.

d. The Office of Legislative Counsel has sounded out our staff people on the Hill and with OMB, and they will make every effort to move the amendment this session if we feel that the need is great.

4. Recommendation: That you approve immediate submission of a proposed amendment to CIARDS to provide the same liberalization of eligibility for cost-of-living increases which has been approved for the Civil Service Retirement Act.

STATINTL

Robert S. Wattles
Acting Deputy Director
for
Management and Services

APPROVED: _____

1 NOV 1973

Date

DISAPPROVED: _____

Date

SUBJECT: Amendment to the CIA Retirement Act

Distribution:

Orig - Adse (Pls return to DD/M&S)

1 - DDCI

1 - ER

1 - OGC

1 - OLC

2 - DD/M&S

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1 - DD/Pers/SP

1 - C/RAD

STATINTL

TRANSMITTAL SLIP		<small>DATE</small> 10/30/73
TO:		
ROOM NO.		
REMARKS: Ben It is my understanding that Wattle was going to send this along with his memo but not as a tab. All copies went to ER for distribution.		
FROM:		
ROOM NO.	EXTENSION	

FORM NO. 711

REPLACES FORM 36-8

(47)

STATINTL

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Submission of Cost of Living Increase for CIARD

FROM:

John M. Maury
Legislative Counsel

EXTENSION

NO.

OLC 73-1242

DATE

26 October 1973

STAT

TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Acting General Counsel
7 D 01

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3. Acting Deputy Director
for Management & Services

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5. Director of Central Intelligence
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Executive Registry

26 October 1973

73-6766/1

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Submission of Cost of Living Increase for
CIARDS

1. The DD/M&S is recommending that the Agency seek an amendment to the Central Intelligence Agency Retirement Act which would liberalize eligibility for cost of living increases for the CIARDS along the lines recently approved for the Civil Service Retirement System. There are several considerations which I think are pertinent from the legislative standpoint.

2. For one thing, I believe the Armed Services Committees will not be favorably disposed to press any legislation which is in any way controversial. This means that we must present an airtight case-- fully justified and fully documented.

3. Further, any proposal to liberalize benefits under the CIA Retirement Act is likely to trigger congressional interest in the current financial status of the Fund and we must be prepared to cope with this development. The Fund is not in good shape but we do have pending in OMB proposed legislation to place the Fund on a sound financial basis and we believe this fact should satisfy questions on this account.

4. A further consideration is the inherent risk involved in floor debate on any proposed CIA legislation. There is the possibility that the Proxmire's, the Cranston's and House members of similar persuasion will use such legislation to generate floor debate on the "statutory charter" of the Agency. Thus we would be presenting two opportunities for such debate if we go for the cost of living amendment now and our "retirement package" later. This risk is probably fairly minimal at this time in view of the Stennis/Nedzi proposals under way but it is, nevertheless, a possibility.


5. The cost of living amendment could be included in our "retirement package" in OMB but this would surely mean that the combined package would not be acted upon until some time in 1974-- too late for the optimum impact which the DD/M&S wishes to achieve, but we may be able to get retroactive dates for the legislation as we have done twice previously and thus assure that Agency employees and survivors receive the full benefit of the legislation.

6. Finally, a close inspection of the likely effect of the proposed amendment if it is enacted now will reveal that it probably will lead to an exodus from CIA this December rather than to a levelling of retirements--one of the principal managerial purposes of the original legislation.

7. Realizing that time could be of the essence, we have completed the necessary staff work with OMB on a legislative package for your transmittal to the Hill.

8. On balance, I believe we owe it to our employees to pursue this amendment but I feel these rather negative aspects of our doing so should be brought to your attention.

STATINTL


John M. Maury
Legislative Counsel

Distribution:

Original - DCI
1 - DDCI
1 - ER
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1 - OGC
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1 - C/RAD

Ref. Log file

by the Sec.

RON

15 NOV 1973

Mr. Chairman

I appreciate your giving me a few minutes of your time during these busy days to introduce a proposal of importance to the Agency's retirement system.

As you know, in 1964 this Committee approved a separate retirement system for those employees of CIA whose careers have been in those functions unique to CIA. These employees represent

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[redacted]
[redacted] are covered by the Civil Service Retirement System.

Over the years since 1964 legislation enacted for the Civil Service System did not automatically benefit the CIA System. In those instances we have been privileged to have had this Committee approve legislation that secured the same benefits for the CIA System. You may recall, for example, the separate legislation that gave our system the cost-of-living benefit in order that our retirees could keep pace with Civil Service on this important feature. Again, in late 1969, this Committee approved legislation to invest our system with the benefits of the McGee/Daniels Bill.

The proposal I am introducing today is, I believe, needed to secure another benefit that has just recently been enacted for Civil Service (PL 93-136) and which will promote more efficient administration of actual retirements at a time when cost-of-living increases become effective.

PL 93-136 liberalized eligibility for cost-of-living increases by ensuring that an employee who retired after the effective date of such an increase would receive no less annuity than if he had retired immediately prior to the effective date. The same benefit would accrue to a survivor of an employee who died after the effective date. This law also eliminated the anomaly of a cost-of-living increase being denied to a long-term employee who became eligible for retirement within a few days after the effective date.

Apart from these benefits to employees and survivors, PL 93-136 carried important benefits for management. It eliminated the necessity for "batching" retirements immediately before an effective date and serves to reduce the disruption to the course of business that agencies experienced when large numbers of experienced employees ~~retired~~^{retire} at the same time.

The same considerations that were involved in enacting PL 93-136 for the Civil Service System are present in the CIA System. Thirteen (13) of our employees vested in our System retired between 1 July and 31 October, some of them within a few weeks after the last cost-of-living increase. During the same period, six (6) employees died in service; at the present time their survivors may not benefit from the latest increase.

We have found, also, that retirements under our System "peaked" at effective dates of increases, causing us to lose

persons who were important in on-going activities before we could adequately prepare for their replacement.

Such "peaking" or "batching" also put a severe strain on our administrative machinery for adjudicating creditable service, processing actual retirement and making annuity payments on time. As you know, we must, by law, administer completely within house the full range of retirement actions and benefits for the CIA System. In that respect, we are identical to the Bureau of Retirement at the Civil Service Commission. The two systems are different in absolute size, of course, but in a relative sense the problem is the same as regards our "population" and the manpower we have committed to it.

The avoidance of "batching" retirements can be more effectively controlled in our System, if the proposed legislation is enacted, possibly than in the Civil Service System. Most retirements under the CIA System are of a voluntary nature, but a voluntary retirement is possible only with the approval of the Director of Central Intelligence. Thus, if our employees can receive the benefits of a cost-of-living increase after an effective date, our own internal management or approval of voluntary retirements would, it seems to me, operate hand in glove with the new benefit. Management could space the (voluntary) retirements in order to moderate the number of retirements in any specific period and to ensure the phasing in of replacements for prospective retirees, yet the retiring

employee would be assured of the latest benefit.

If I may sum up, I believe that the principle of comparability strongly suggests that the [] of the CIA employees who are in the CIA System should be covered by this same benefit that applies to the other [] our employees who are covered by Civil Service. In addition, Agency management and administration would be better able to phase retirements to suit the demands at the moment.

My remarks have been general, Mr. Chairman. My staff and I stand ready to answer any questions it may be your pleasure to ask. Thank you very much for permitting me these introductory remarks.

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Amendment to the CIA Retirement Act

FROM:

Acting Director of Personnel
5E-58 Hqs.

EXTENSION

NO.

DATE

TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Legislative Counsel
7D-43 Hqs.

26 OCT 1973

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3. Acting General Counsel
7D-01 Hqs.

10/29/73 29 OCT

ful

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5. Acting Deputy Director
for Management & Services
7D-26 Hqs.

D.L. Act. P.S.W./m

7. Director of Central Intelligence
7E-12 Hqs.

10/30 11/1

wcc/bip

To 7: Please see OLC's independent comment on this (attached) STATINTL (*)

8.

DDMS

11/2/73

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D/Pers. K/151??

5 NOV 1973

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DDP/SP

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